

Flow Chart

How to Proceed for the 50 marks Case Study in the Exam?

You should attempt Q1. after completing Q2. to Q6. So that you can attempt the same with free mind and ample time in hand.



Read the Question first and not the passage because it is better to know the destination before starting the journey.



After reading the question, try to understand and analyze that in what combination of chapters, the questions are given in the paper.



After analyzing and depicting about the specified chapters covered, then go for reading the passage.

Note from the Author:

The 50 marks case study can be theoretical or practical based or a combination of both. The presentation of answer runs parallel to the content. There has to be a balance between Quality and Quantity of answers.

BANKING LAW AND PRACTICE

(Elective Paper 9.1)

Time allowed : 3 hours

Maximum marks : 100

NOTE: Answer **ALL** Questions.

Question 1

Analysis of financial statements is an important exercise for the purpose of studying the trends and behaviour of different financial parameters from a leader's point of view. Before an analysis is undertaken, the various parameters and items of financial statements are restructured and rearranged in the order of priority set by a credit analyst. This is necessary because enterprises prepare financial statements mainly in order to cater to the needs of the shareholders and the government. Analysis of these statements without any rearrangement may not serve a meaningful purpose for a lending banker.

The process of restructuring of financial statements starts with classification of various items as current, non-current and fixed assets or liabilities. Restructuring also includes the process of filtering out items or entries resulting from those transactions which, though permitted by statutes, may present picture other than reality. Apart from this, the analyst also undertakes various other analysis, like, comparative balance sheet, ratio analysis, cash flow and funds flow, etc., to arrive at a considered view.

The following example is a live situation requiring your logical conclusion as an analyst. Analyse the situation and respond to the questions indicated there against.

The Balance Sheet of Sri Ganesh & Co. Ltd., for the years 2015 and 2016 are given below :

(Amount in Rupees)		
Particulars	31-03-2015	31-03-2016
Liabilities		
Equity Share Capital	6,00,000	12,00,000
10% Preference Share Capital	5,00,000	9,00,000
Profit and Loss Account	6,00,000	8,00,000
Long-term Loans	2,00,000	5,00,000
Creditors	1,00,000	3,00,000
Total	20,00,000	37,00,000

The Current Assets and Current Liabilities of the Company in the beginning and at the end of the year being as follows :

Particulars	(Amount in Rupees)	
	31st March, 2015	31st March, 2016
Bills Receivable	25,000	15,500
Bills Payable	10,000	12,500
Debtors	30,000	38,800
Stock-in-hand	18,000	14,000
Outstanding Expenses	8,000	7,000

Calculate the Cash Flow from Operating activities under the indirect method of cash flow from operations.
(10 marks)

Answer 1(a)

Comparative Balance Sheet as on 31.03.2015 and 31.03.2016

Particulars	31st March 2015	31st March 2016	Absolute increase or decrease in 2016	Percentage of increase or decrease in 2016
Liabilities				
Equity Share Capital	600000	1200000	600000	100%
10% Preference Share Capital	500000	900000	400000	80%
Profit and Loss Account	600000	800000	200000	33.33%
Owner's Funds	1700000	2900000		
Long Term Liabilities:				
Long Term Loan	200000	500000	300000	150%
Current Liabilities				
Creditors	100000	300000	200000	200%
Total	2000000	3700000		
Assets				
Fixed Assets(Gross Block)	1500000	2800000		
Less : Depreciation	500000	800000		
Net Block	1000000	2000000	1000000	100%
Investments	400000	500000	100000	25%
Current Assets:				
Inventories	450000	650000	200000	44.44%
Account Receivables	100000	400000	300000	300%
Cash in Hand	50000	150000	100000	200%
Total	2000000	3700000		